

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

FILED

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PUBLIC UTILITIES
COMMISSION

In the Matter of the Application)
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 of)
)
 WAI'OLA O MOLOKA'I, INC.)
)
 For review and approval of rate)
 increases; revised rate schedules;)
 and revised rules.)
)

Docket No. 2009-0049

**DIVISION OF CONSUMER ADVOCACY'S AND
WAI'OLA O MOLOKA'I, INC.'S
JOINT UPDATED STATEMENT OF PROBABLE ENTITLEMENT**

and

CERTIFICATE OF SERVICE

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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**DIVISION OF CONSUMER ADVOCACY'S AND
WAI'OLA O MOLOKA'I, INC.'S
JOINT UPDATED STATEMENT OF PROBABLE ENTITLEMENT**

Pursuant to the Public Utilities Commission's ("Commission") oral directive issued on May 20, 2010 and as memorialized in the Commission's letter dated May 20, 2010, the Division of Consumer Advocacy ("Consumer Advocate") and Wai'ola O Moloka'i, Inc. ("Wai'ola") respectfully submit this Joint Updated Statement of Probable Entitlement ("Joint Statement") in the above-docketed matter. This Joint Statement supersedes the Statements of Probable Entitlement filed individually by the Consumer Advocate on March 16, 2010, and Wai'ola on March 11, 2010.

I. INTRODUCTION

HRS § 269-16(d) states that an interim decision allows the Commission to grant an increase in rates, fares, and charges, if any, to which the Commission believes the public utility is probably entitled based on the evidentiary record in a ratemaking proceeding. It is the Consumer Advocate's and Wai'ola's understanding that this

statutory provision was enacted to promote reasonable and fair treatment to both the utility and the ratepayer. There is mitigated adverse impact, if any, to the utility from any delays in implementing the rate relief that is deemed just and reasonable by granting the utility interim rate relief, based upon the revenue requirement to which the Commission will likely find reasonable in its final decision and order (i.e., the increase in revenue requirement to which the utility is probably entitled). Should the interim rate relief be higher than the relief found to be just and reasonable in the Commission's final Decision and Order, the ratepayer is protected since the utility must return, in the form of an adjustment to rates, any amounts received under the interim rates that are in excess of the rates, fares, or charges finally determined to be just and reasonable by the Commission. Interest that is computed at a rate equal to the rate of return on the public utility's rate base found to be reasonable by the Commission must also be *imputed on the amount to be returned.*¹

Given the above, the determination of probable entitlement should be based on the level of revenue requirement and resulting rates which the Commission is likely to determine in the final decision and order to be just and reasonable based upon the evidence in the record.

II. PROCEDURAL HISTORY

On March 2, 2009, Wai`ola filed its Application for Approval to Increase Rates ("Application"). Wai`ola's Application included direct testimonies, exhibits and workpapers in support of its Application. On April 2, 2009, the Commission ordered

¹ In this instant proceeding, the need for any calculated interest on a refund is obviated since, unless the Commission authorizes a rate of return, the Consumer Advocate and the Company have agreed that there shall be no rate of return.

Wai`ola to re-file its Application to include the filing of audited financial statements by Wai`ola.

On June 29, 2009, Wai`ola re-filed its Application and the Commission confirmed completion upon issuance of its Order Regarding Completed Application and Other Matters, issued on July 31, 2009.

On September 3, 2009, an advertised public hearing was held at the Mitchell Pauole Center Conference Room in Kaunakakai, Molokai, as required by HRS § 269-16, with notice pursuant to HRS § 269-12.

On September 11, 2009, the County of Maui ("County") filed its motion for intervention or to participate in the proceeding with the Commission.

On September 14, 2009, Stand for Water ("SFW") filed its respective motion for intervention or to participate in the proceeding with the Commission.

On October 16, 2009, the Commission granted intervention to the County and SFW, and, on its own motion, named Molokai Properties, Limited ("MPL") as a party.

On January 27, 2010, the Commission, on its own motion, dismissed SFW as an intervenor based upon the Commission's determination that SFW failed to assist in developing a sound record and participate meaningfully in the docket.

As a result, the parties to the proceeding are Wai`ola, the Consumer Advocate, the County, and MPL.

Pursuant to the Commission's Order Approving Proposed Procedural Order, filed on November 6, 2009, the parties engaged in several rounds of information requests and responses.

On January 13, 2010, the Consumer Advocate filed its direct testimonies and exhibits. The County and MPL did not file any testimony or exhibits.

During the period from January 1, 2010 through February 1, 2010, Wai'ola submitted information requests on the Consumer Advocate's direct testimonies and exhibits and the County submitted information requests to MPL. The Consumer Advocate and MPL both filed their respective responses to the information requests on February 1, 2010.

Wai'ola filed its rebuttal testimony and exhibits on February 10, 2010. During the period of February 19, 2010 through February 26, 2010, discovery on Wai'ola's rebuttal testimony and exhibits was conducted.

Statements of Probable Entitlement were filed by the County and Wai'ola on March 10, 2010, and by the Consumer Advocate on March 16, 2010. All parties filed their respective responses on March 19, 2010.

Subsequently, the parties engaged in mediation efforts to attempt to settle their differences. On May 17, 2010, Wai'ola offered a settlement proposal to all the parties. The County responded with a list of issues that required resolution if the parties were to settle. Wai'ola responded that it did not believe that a settlement could be reached on the County's issues.

In response to Wai'ola's settlement proposal, the Consumer Advocate proposed certain changes and clarifications. Wai'ola accepted the changes and clarifications offered by the Consumer Advocate, and the Commission was notified of the settlement between Wai'ola and the Consumer Advocate at the start of the evidentiary hearing. Because the County did not join in the settlement, the evidentiary hearing was held on May 19 and 20, 2010.

III. DISCUSSION

A. BACKGROUND REGARDING THE PRESENT RATES

The current effective temporary rates were approved by the Commission in its *Order Approving Temporary Rate Relief for Molokai Public Utilities, Inc. and Wai`ola O Moloka`i, Inc.* filed in Docket No. 2008-0115 on August 14, 2008 ("Temporary Rate Relief Order"). These current effective temporary rates were implemented to address the apparent, urgent need for rate relief for *Molokai Public Utilities, Inc. and Wai`ola*, who, if their asserted needs were not addressed, contended that they would be terminating utility service to all of its service customers. Prior to the Temporary Rate Relief Order, the last Commission-approved rates were derived from a complete investigation of Wai`ola's Certificate of Public Convenience and Necessity ("CPCN") application in Docket No. 7122, wherein the Commission filed Decision and Order No. 12125 on January 13, 1993.

Pursuant to the Commission's Order Denying Wai`ola O Moloka`i, Inc.'s Request to Submit Its Unaudited Financial Statements In Lieu Of Audited Financial Statements filed on April 2, 2009 in the instant proceeding, the calculation of increases uses the rates approved in Decision and Order No. 12125.

B. SETTLEMENT OF DIFFERENCES

The Consumer Advocate reiterates that it takes seriously the possible risk that, if not properly compensated, a utility company might not be able to provide quality and reliable service to utility customers. Therefore, the revenue requirements, as agreed to by the Consumer Advocate and Wai`ola (collectively, the "Settling Parties"), reflect a reasonable level, as supported by the record in this proceeding, that would allow

Wai`ola to recover sufficient revenues to recover costs and not unduly burden Wai`ola's customers.

The Consumer Advocate's March 16, 2010 Statement of Probable Entitlement identified the major differences with Wai`ola in the test year expenses. Following is a discussion of how these differences were resolved.²

1. Plant and Associated Depreciation

The Consumer Advocate had recommended disallowance of certain plant items and the related depreciation expenses because Wai`ola had reflected book depreciation for certain items, but had not reflected any tax depreciation for these items. As explained in the Consumer Advocate's testimony, the evidence in the record suggested that the rebuttable presumption should be considered since the plant items in question may have been written off for tax purposes. As a result of its inability to find records on why this discrepancy occurs, Wai`ola had recommended that all income taxes expenses and associated items should be excluded from the instant proceeding. The associated items would essentially consist of Accumulated Deferred Income Taxes ("ADIT") with the accumulated Hawaii State Capital Goods Excise Tax Credit ("HSCGETC") also being excluded. The Settling Parties agree that, given the remaining questions about reconciliation between the book and tax records supporting the plant items, there shall be no ADIT and HSCGETC.

Because the Settling Parties have agreed that there will be no rate of return in the instant proceeding, the effect on rates is diminished. Further, given the surrounding

² As set forth in Wai`ola's Hearing Exhibit 1, there are 13 principles of settlement. Some of those principles do not affect the determination of revenue requirements in the instant proceeding and will not be discussed. Instead, the Settling Parties will offer a discussion of all principles of settlement in the document to be filed concurrent with the Consumer Advocate and Wai`ola's opening briefs that are due three weeks after transcripts are made available.

questions concerning the supporting records for the plant-in-service items, there shall be \$107,490 of depreciation expense on a gross plant-in-service balance of \$3,333,813. *Wai'ola agrees to review its depreciation rates and propose more uniform book depreciation rates in its next rate proceeding.* In addition, the Principles of Settlement provide for *Wai'ola to complete a thorough evaluation of its records and record-keeping practices that shall, at a minimum, determine whether plant items have been written off and to reconcile the outstanding differences between its book and tax records. For any plant items that Wai'ola seeks to recover in future rate proceedings, adequate records with the proper reconciliation and supporting documents for tax/book differences shall be provided.*

2. Regulatory Expense

The Settling Parties agreed that *Wai'ola may recover an amortized amount of \$45,000 per year for regulatory expenses. The Company's estimate of total regulatory expenses submitted as of February 10, 2010 as part of Exhibit WOM-R-6 is \$310,398. For settlement purposes, however, the Company was willing to limit its recovery to \$225,000. The amount to be included in the determination of revenue requirements is derived from the agreed upon total expense of \$225,000 amortized over a period of five years.*

3. Electricity Expense

Wai'ola had originally proposed adoption of automatic adjustments for electricity expenses, which the Consumer Advocate opposed. For purposes of settlement, Wai'ola agreed that it would not seek to implement the automatic adjustment clause in this proceeding and the parties agreed to use a three-year average for the

determination of the cost per kWh of electricity. Based upon the agreement, the recommended level of electricity expense is \$8,135.

4. Labor and Benefits Expenses

The Consumer Advocate recommended that certain adjustments be made to Wai`ola's labor and benefits Test Year expenses, primarily to reflect the removal of one position that was not going to be filled, the removal of any salary increase, and to reflect the reduction of benefits to reflect a greater level of contributions from employees for those benefits.

Wai`ola acknowledged that the position in question will not be filled and shall be removed from the test year estimates. Additionally, for purposes of settlement, Wai`ola agreed to the removal of salary increases from revenue requirements and to a 50% reduction in total employee benefit costs, resulting in total labor and benefits expense of \$101,242.

5. Rate Design

While the County did not file any direct testimony, it appears that the County might be supporting a different rate design and tariffs from that which is currently approved. The Consumer Advocate and Wai`ola, however, believe that additional analysis of the appropriate rate design is necessary and, thus, Wai`ola agrees that it will conduct a cost of service study ("COSS") prior to the next rate case. As part of Wai`ola's agreement to conduct a COSS, the Settling Parties agree that there should be no adjustment for "excess capacity," but the issue of properly allocating capacity to each customer class and meters will be addressed by the COSS. This cost of service study will be based on adequate and sufficient records and will address, at a minimum, the proper allocation of costs among fixed (including monthly meter and standby charges)

and variable rates (including the establishment of inclining tiered usage rates). Without the benefit of a cost of service study and the appropriate data, it is not reasonable to conduct that analysis in the instant rate proceeding. Therefore, an across-the-board increase should be adopted in this proceeding.

6. Three-Step Phase-In

While the Consumer Advocate's testimony and exhibits reflected a two-step phase-in plan somewhat akin to the Company's two-step phase-in plan set forth in its amended application, the Consumer Advocate's testimony discussed the apparent need for considering additional steps to help mitigate some of the potential impact of any significant rate increase on the customers. That issue was brought up in settlement discussions. Thus, the Settling Parties agreed to a three-step phase-in plan that allows the agreed upon rate increase to be implemented in steps occurring over three increases. The first step is to be reflected in the Commission's interim decision and order. The second step is to become effective with the Commission's final decision and order or six months after the increase resulting from the Commission's interim decision and order, whichever event occurs later. The third step is to become effective six months after the effective date of the second step.

7. Rate of Return

In its direct and rebuttal testimonies, Wai'ola contended that the Commission should authorize a 2.00 rate of return to be applied to its rate base. In contrast, the *Consumer Advocate recommended that, for various reasons, the Commission should not authorize any rate of return and that the Commission should allow sufficient revenues only to allow a break-even, where the revenues would be sufficient to cover operating and maintenance expenses. For purposes of settlement, Wai'ola agreed with*

the Consumer Advocate's recommendation that there should be no rate of return in the instant proceeding.

8. Private Fire Service Revenues

While neither Wai'ola nor the Consumer Advocate reflected revenues from the Commission approved private fire service revenues, as a result of settlement, Wai'ola reviewed its records and found that there was one private fire hydrant from which revenues could be collected pursuant to the Commission approved tariffs.³ The recognition of these revenues results in an additional \$42 of revenues at present rates and \$180 of revenues at the agreed upon level of proposed rates.

IV. RECOMMENDATION

As a result of additional discussions subsequent to the filings of Statements of Probable Entitlement by Wai'ola on March 11, 2010, and by the Consumer Advocate on March 16, 2010, the Consumer Advocate and Wai'ola concur that Wai'ola is probably entitled to a total revenue requirement of \$464,692.

Attachment 1 attached hereto provides the revenue requirements and results of operations for the forecast test year ending June 30, 2010 ("Test Year"). This is a six page attachment which shows the changes in Wai'ola's rebuttal positions in columns 1 to 3 and changes in the Consumer Advocate's as filed position in columns 5 to 7 on page 1. Page 2 describes the adjustments reflected on page 1. Page 3 reflects the rate changes required to achieve the revenue requirement including a three-step phase in proposal. Pages 4 to 6 contain support for the settlement adjustment calculations for

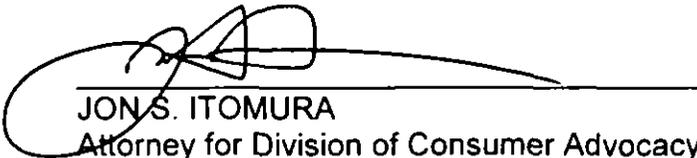
³ While there are additional fire hydrants in Wai'ola's service territory, Wai'ola contends that they do not collect revenues from those hydrants as they are not private fire protection facilities and are not subject to the Commission approved tariffs.

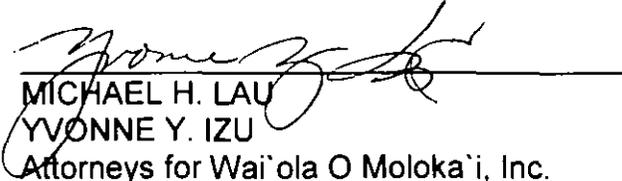
the electricity expense, cost of service expense and amortization of regulatory expense, respectively. The entire increase should be applied on an across-the-board basis.

Since Wai`ola and the Consumer Advocate have agreed on a phase in for the rate increase, the Settling Parties suggest that the Commission authorize the Phase 1 rates to be effective on May 28, 2010 with the Commission's interim decision and order. Subsequently, the Phase II rates are to become effective at the end of a six-month period following the effective date of the Commission's interim decision and order or as of the effective date of the Commission's final decision and order, whichever comes later. The Phase III, or final, rates are to become effective at the end of the six-month period following the effective date of the Phase II rates. The permanent rates, which would be equal to the final rates, can then be confirmed when the Commission's final decision is issued, but will not be effective until the effective date of the Phase III rates.

DATED: Honolulu, Hawaii, May 21, 2010.

Respectfully submitted,


JON S. ITOMURA
Attorney for Division of Consumer Advocacy


MICHAEL H. LAU
YVONNE Y. IZU
Attorneys for Wai`ola O Moloka`i, Inc.

ATTACHMENT 1

Waiola O Molokai
Company and Consumer Advocate Comparison
Test Year Ending June 30, 2010

Line #		[1]	[2]	[3]	[4]	[5]	[6]	[7]
		Rebuttal At Proposed Rates	Waiola O Molokai Settlement Adjustment	Settlement [1] + [2]	Difference [3] - [5]	Settlement [7] + [6]	Consumer Advocate Settlement Adjustment	As Filed At Proposed Rates
REVENUE								
1	Monthly Customer Charge	\$ 159,076	(21,523) [J]	\$ 137,553	\$ -	\$ 137,553	\$ 6,804 [J]	\$ 130,749
2	Water Usage Charge	433,379	(107,340)	326,039	-	326,039	3,259	322,780
3	Additional Settlement Adj			-	-	0		
4	Late Fees	1,100		1,100	-	1,100		1,100
5				-				
6	Total Operating Revenues	593,555	(128,863)	464,692	0	464,692	10,063	454,629
EXPENSES								
7	Labor, PR Tax & Empl Bene	127,245	(26,003) [A]	101,242	-	101,242	0	101,242
8	Electricity Expense	8,832	(697) [B]	8,135	-	8,135	744 [B]	7,391
9	Cost of Sales	95,680	18,709 [C]	114,389	-	114,389	18,709 [C]	95,680
10	Materials & Supplies	13,581		13,581	-	13,581		13,581
11	Affiliated Charges	9,660		9,660	-	9,660		9,660
12	Prof & Outside Services	3,156		3,156	-	3,156		3,156
13	Repairs & Maintenance	10,519		10,519	-	10,519		10,519
14	Insurance	16,000		16,000	-	16,000		16,000
15	Regulatory Expense	103,466	(58,466) [D]	45,000	-	45,000	(10,000) [D]	55,000
16	General & Administrative	5,855		5,855	-	5,855	(30) [I]	5,885
17	Total O&M Expenses	393,994	(66,457)	327,537	0	327,537	9,423	318,114
18	Taxes, Other Than Income	37,898	(8,228) [E]	29,670	0	29,670	642 [E]	29,028
19	Depreciation	133,286	(25,796) [F]	107,490	-	107,490		107,490
20	Income Taxes	0		-	-	0		
21	Diff. due to changing factors			(6)		(6)		
22	Total Operating Expenses	565,178	(100,481)	464,691	0	464,691	10,065	454,632
23	Operating Income	\$28,377	(\$28,383)	\$0	(\$0)	\$0	(\$3)	(\$3)
AVERAGE RATE BASE								
24	Plant in Service	\$ 3,333,813		\$ 3,333,813	\$ -	\$ 3,333,813		\$ 3,333,813
25	Accumulated Depreciation	(1,906,060)		(1,906,060)	(148,992)	(2,055,052)		(2,055,052)
26	Net Plant	1,427,753		1,427,753	(148,992)	1,278,761		1,278,761
27								
28	Customer Deposits	(43,710)		(43,710)	-	(43,710)		(43,710)
29	ADIT	0		-	3,474	3,474		3,474
30	HCGETC	0		-	(15,385)	(15,385)		(15,385)
31	Working Capital	32,833	(5,539) [G]	27,294	0	27,294	785 [G]	26,509
32	Average Rate Base	\$ 1,416,876	\$ (5,539)	\$ 1,411,337	\$ (160,903)	\$ 1,250,434	\$ 785	\$ 1,249,649
33	Return on Rate Base	2.00%	0.00% [H]					

Waiola O Molokai
Settlement Adjustments

Adj #	Description	[1] Reference #	[2] WOM Amount	[3] Consumer Advocate Amount
A	WOM accepts CA adjustment to remove wage increase and 50% of Medical & Dental Expense		\$ (26,003)	\$ -
B	WOM accepts CA proposal not to implement an APCAC. CA agrees to use 36 month average for per kWh rate	Page 4	\$ (697)	\$ 744
C	Adjust Cost of Sales to reflect the addition of charges for Treatment at the Puunana WTP and also to reflect the increase in charges for delivery to the Kualapuu Tap. Both based on MPU Settlement	Page 5	\$ 18,709	\$ 18,709
D	Agree to establish total rate case expenses of \$225,000 with five year amortization for an annual expense of \$45,000 (\$225,000 / 5 = \$45,000)	Page 6	\$ (58,466)	\$ (10,000)
E	Change in Revenue Taxes and Fees based on change in revenue at 6.385% of revenue		\$ (8,228)	\$ 642
F	WOM accepts CA adjustment for depreciation expense		\$ (25,796)	\$ -
G	Change in Working Capital results from changes in expenses		\$ (5,539)	\$ 785
H	WOM removes Rate of Return for Settlement			
I	CA accepted WOM expense but amount should have been \$5,855 instead of \$5,885			\$ 30
J	Private Fire Hydrant Revenue Added to WOM and CA Revenue as shown on Page 3, Line 9 showing revenue levels at Present Rates and for each phase			

Waiale O Molokai
Revenue Increase Phase-In
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]	
		Meter Size	# of Cust Bills Or Water Usage	Base Rates Effective 1-13-93 Monthly Rate	Annual Revenue [2]*[3]	Total Revenue	Temporary Rates Effective 9-1-08 Monthly Rate	Annual Revenue [2]*[6]	Total Revenue	PHASE 1 - Revenue Increase Monthly Rate	Annual Revenue [2]*[9]	Total Revenue	PHASE 2 - Revenue Increase Monthly Rate	Annual Revenue [2]*[12]	Total Revenue	PHASE 3 - Full Proposed Rates Monthly Rate	Annual Revenue [2]*[15]	Total Revenue	
1	Rate Increase Percent									160.0%			250.000%			332.060%			
Monthly Customer Charge																			
2	# of Customers (151) MRC	5/8" Meter	4,099	\$5.00	\$ 20,495		\$5.00	\$ 20,495		\$13.00	\$ 53,287		\$17.50	\$71,733		\$ 22.00	\$90,178		
3	# of Customers (152) MRC	3/4" Meter	49	\$5.00	245		\$5.00	245		\$13.00	637		\$17.50	858		\$ 22.00	1,078		
4	# of Customers (153) MRC	1.0" Meter	211	\$10.00	2,110		\$10.00	2,110		\$26.00	5,486		\$35.00	7,385		\$ 43.00	9,073		
5	# of Customers (154) MRC	2.0" Meter	211	\$25.00	5,275		\$25.00	5,275		\$65.00	13,715		\$87.50	18,463		\$ 108.00	22,788		
6	# of Customers (158) MRC	8.0" Meter	12	\$250.00	3,000		\$250.00	3,000		\$650.00	7,800		\$875.00	10,500		\$ 1,080.00	12,960		
7	# of Customers (190) TPI	0	-	\$0.00	-		\$25.00	-		\$0.00	-		\$0.00	-		\$ 108.00	-		
8	# of Customers (241) KHY	2.0" Meter	12	\$25.00	300		\$25.00	300		\$65.00	780		\$87.50	1,050		\$ 108.00	1,296		
9	Private Fire Hydrant		12	\$3.50	42		\$3.50	42		\$9.10	109		\$12.25	147		\$ 15.00	180		
10	Sub-Total					\$31,467			\$31,467			\$81,814			\$110,136			\$137,553	
Water Usage Charge																			
11	Percent increase in Usage Charge															329.950%			
12	Water Use for Test Year (000 gallons)	40,999		\$1.85	75,832		\$5.15	211,099		\$5.80	237,742		\$8.85	280,782		\$7.9541	326,039		
13	Usage Revenue				75,832			211,099			237,742			280,782			326,039		
14	Total Revenue				\$107,299			\$242,566			\$ 319,556			\$390,918			\$463,592		
15	Revenue Increase To Temporary Rates							\$135,267											
16	Phase 1 Revenue Increase									\$ 76,990									
17	Phase 2 Revenue Increase											\$ 71,352							
18	Final Phase Revenue Increase																\$ 72,674		
19	Total Revenue Increase from Present Rates										\$ 212,257			\$283,619				\$356,293	
20	Total Revenue Increase from Temporary Rates										\$ 76,990			\$148,352				\$221,026	
21	Percent of Phase 1 Increase above Present Rates										197.8%								
22	Percent of Phase 2 Increase Present Rates													264.3%					
23	Percent of Total revenue Increase over Present Rates																	332.1%	
24	Percent of Phase 1 Increase above Temporary Rates										31.7%								
25	Percent of Phase 2 Increase above Temporary Rates													61.2%					
26	Percent of Total Revenue Increase above Temporary Rates																	91.1%	
27	Percent of Phase 1 Increase above then Existing Rates										31.7%								
28	Percent of Phase 2 Increase above then Existing Rates													22.3%					
29	Percent of Phase 1 Increase above then Existing Rates																	18.6%	

Waiala O Moloakal
ELECTRIC CHARGES
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]
		# of Days	KWH Usage	Total Charge	Charge Per KWH	# of Days	KWH Usage	Total Charge	Charge Per KWH	# of Days	KWH Usage	Total Charge	Charge Per KWH	KWH Usage	Total Charge	Charge Per KWH
		Kualapuu Pump			Kalahe Booster Pump			Kualapuu Reservoir			TOTAL					
1	7/25/06	32	1,037	\$ 450	0.4335	32	1	\$ 38	38.1400	32	45	40	0.8922	1,083	\$ 528	0.4874
2	8/24/06	30	1,400	598	0.4272	30	1,530	651	0.4252	30	108	65	0.6119	3,036	1,314	0.4327
3	9/22/06	29	1,491	634	0.4251	29	480	227	0.4720	29	54	44	0.8119	2,025	904	0.4466
4	10/24/06	32	1,432	603	0.4208	32	470	220	0.4682	32	6	27	4.5167	1,908	850	0.4453
5	11/22/06	29	765	333	0.4353	29	220	119	0.5428	29	43	39	0.9056	1,028	491	0.4779
6	12/22/06	30	672	289	0.4307	30	390	182	0.4664	30	5	27	5.4200	1,067	498	0.4671
7	1/23/07	32	954	385	0.4031	32	480	210	0.4374	32	49	40	0.8192	1,483	635	0.4279
8	2/22/07	30	1,217	481	0.3951	30	350	162	0.4625	30	6	27	4.5167	1,573	670	0.4258
9	3/23/07	29	1,260	492	0.3903	29	440	193	0.4393	29	47	39	0.8340	1,747	724	0.4146
10	4/24/07	32	1,282	502	0.3916	32	1,120	443	0.3953	32	6	27	4.5167	2,408	972	0.4036
11	5/23/07	29	1,500	588	0.3923	29	540	233	0.4316	29	90	55	0.6156	2,130	877	0.4117
12	6/22/07	30	638	271	0.4246	30	1,430	566	0.3959	30	5	27	5.4200	2,073	864	0.4168
13	Total 6-30-07		13,648	\$ 5,625	0.4122		7,451	\$ 3,244	0.4353		462	458	0.9914	21,561	\$ 9,327	0.4326
14	7/23/07															
15	8/23/07	30	1,618	674	0.4168	30	700	311	0.4437	30	50	41	0.8200	2,368	1,026	0.4333
16	9/24/07	32	1,767	743	0.4205	32	980	427	0.4355	32	49	42	0.8525	2,796	1,212	0.4333
17	10/27/07	30	1,589	659	0.4150	30	750	629	0.8383	30	49	41	0.8449	2,388	1,330	0.5568
18	11/23/07	30	1,585	661	0.4172	30	720	318	0.4424	30	372	170	0.4557	2,677	1,149	0.4293
19	12/24/07	31	703	323	0.4591	31	530	252	0.4746	31	5	27	5.4680	1,238	602	0.4860
20	1/24/08	31	916	436	0.4762	31	580	289	0.4985	31	5	29	5.7880	1,501	754	0.5025
21	2/25/08	32	1,024	491	0.4793	32	460	240	0.5216	32	457	227	0.4963	1,941	958	0.4933
22	3/25/08	29	1,244	588	0.4726	29	290	164	0.5661	29	187	107	0.5703	1,721	859	0.4990
23	4/22/08	28	1,245	592	0.4752	28	315	178	0.5666	28	40	46	1.1375	1,600	816	0.5098
24	5/23/08	30	1,428	695	0.4869	30	470	253	0.5374	30	8	29	4.8233	1,904	977	0.5131
25	6/24/08	32	1,339	672	0.5022	32	450	249	0.5543	32	34	40	1.1688	1,823	962	0.5275
26	Total 6-30-08		14,458	\$ 6,535	0.4520		6,245	\$ 3,310	0.5300		1,254	798	0.6360	21,957	\$ 10,643	0.4847
27	7/24/08	30	1,414	752	0.5315	30	660	370	0.5601	30	5	29	5.7840	2,079	1,150	0.5532
28	8/25/08	32	1,445	890	0.6161	32	480	292	0.6092	32	188	124	0.6609	2,113	1,307	0.6185
29	9/24/08	30	1,261	729	0.5780	30	650	393	0.6044	30	911	525	0.5758	2,822	1,646	0.5834
30	10/24/08	30	1,139	632	0.5551	30	420	255	0.6071	30	5	29	5.7840	1,564	916	0.5858
31	11/24/08	31	878	471	0.5369	31	360	214	0.5948	31	6	29	4.8200	1,244	714	0.5743
32	12/24/08	30	473	252	0.5332	30	230	141	0.6121	30	187	109	0.5844	890	502	0.5644
33	1/26/09	33	527	261	0.4953	33	290	160	0.5517	33	6	29	4.8333	823	450	0.5468
34	2/23/09	28	644	292	0.4534	28	300	155	0.5167	28	5	29	5.8000	949	476	0.5016
35	3/24/09	29	749	316	0.4219	29	300	148	0.4933	29	189	94	0.4974	1,238	558	0.4507
36	4/23/09	30	1,048	408	0.3893	30	520	220	0.4231	30	42	38	0.9048	1,610	666	0.4137
37	5/22/09	29	722	284	0.3934	29	690	273	0.3957	29	5	29	5.8000	1,417	586	0.4136
38	6/24/09	33	1,080	407	0.3769	33	710	279	0.3930	33	94	56	0.5957	1,884	742	0.3938
39	Total 6-30-09		11,380	\$ 5,695	0.500400		5,610	\$ 2,900	0.516900		1,643	\$ 1,120	0.681610	18,633	\$ 9,714	0.521350
40	7/24/09	30	1,035	393	0.3797	30	340	153	0.4500	30	192	90	0.4688	1,567	636	0.4059
41	8/25/09	32	1,007	396	0.3933	32	330	153	0.4636	32	188	90	0.4787	1,525	639	0.4190
42	Average For Settlement		41,528	18,644	\$0.44894		19,976	9,759	\$0.48855		3,739	2,556	\$0.68347	65,243	30,959	\$0.47451
Adjustment for change in TY sales																
43	12 months sales ended 6/30/09			47,351							1,000		0.584440			
44	CA projected TY sales			40,990												
45	change			-13%								\$ 584			\$ 11,561	
46	12 months water pumped ahead 6/30/09			24,428				7,757								
47	avg kwh / water pumped			0.466				0.723			1,000		0.584440			
48	Unaccounted for and lost water factor			10%				10%					\$ 584		\$ 11,561	
49	Projected water pumped			23,496				7,461								
Pro Forma for TY - UPDATED FOR SETTLEMENT																
50	kwh		10,946				5,396				1,000					
51	Expense		\$ 4,914		0.448945			\$ 2,636		0.488550			\$ 584		\$ 8,135	

**Walola O Molokai
COST OF SALES UPDATE
Test Year Ending June 30, 2010**

Line #	Description	[1] Reference	[2] Company Rebuttal Testimony	[3] MPU Settlement Schedule	[4] Adjustment
<u>Water Delivered at Kualapuu Tap</u>					
1	Rebuttal Test Year Expense	CA-114, L 1, C 7	\$ 53,966		
2	Update for MPU increase in Settlement	Attach 1, L 3, C 3		\$ 59,856	
3	Adjustment Required	L 2 - L 1			\$ 5,890
<u>Water Provided by DHHL</u>					
4	Rebuttal Test Year Expense	CA-114, L 2, C 7	34,342		
5	Settlement Test Year Expense			34,342	
6	Adjustment Required	L 5 - L 4			-
<u>Treatment Service provided at Puunana WTP</u>					
7	Rebuttal Test Year Expense	CA-114, L 3, C 7	7,372		
8	Update for MPU increase in Settlement	Attach 1, L 4, C 3		20,191	
9	Adjustment Required	L 8 - L 7			12,819
<u>Total Cost of Service</u>					
10	Rebuttal Test Year Expense	L 1 + L 4 + L 7	<u>\$ 95,680</u>		
11	Update for MPU increase in Settlement	L 2 + L 5 + L 8		<u>\$ 114,389</u>	
12	Adjustment Required	L 3 + L 6 + L 9			<u>\$ 18,709</u>

**Waiola O Molokai
RATE CASE EXPENSE AMORTIZATION
Test Year Ending June 30, 2010**

**ATTACHMENT 1
Docket No. 2009-0049
Page 6 of 6**

		[1]	[2]	[3]	[4]
Line #	Description	Reference	Amount	Amount	Adjustment
<u>REBUTTAL</u>					
1	Rebuttal Rate Case Expense		<u>\$ 310,398</u>		
2	Amortization - # of Years	<u>3</u>			
3	Annual Expense	L 1 / L 2		\$ 103,466	
<u>HEARING UPDATE</u>					
4	Update Settlement		<u>\$ 225,000</u>		
5	Amortization - # of Years	<u>5</u>			
6	Annual Expense	L 4 / L 5		45,000	
7	Adjustment	L 6 - L 3			<u>\$ (58,466)</u>

CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following parties, by having said copies delivered as set forth below:

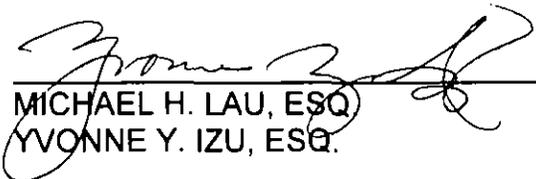
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